GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:6029
ANSWERED ON:31.08.2001
ACTION AGAINST KIRAN LEATHER INTERNATIONAL
PUTTASWAMY GOWDA

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Central Bank of India, was defrauded and cheated to the tune of Rs.50 lakhs by the Proprietors of Kiran Leather International in 1995-96 and a case was registered by the Central Bureau of Investigation in New Delhi;

(b) if so, the details thereof;

(c) whether any action has been taken by the Government to plug the loopholes in the system;

(d) whether any punitive action has been taken against the guilty bank officials and the firm; if so, the details thereof; and

(e) if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b):- M/s. Kiran Leather International a proprietorship firm of Ms. Saroj Kushwaha was sanctioned packing credit cum export bill facility of Rs.50 lakhs against export orders of Rs.70 lakhs by the Sukhdev Vihar Branch, New Delhi of Central Bank of India on 27.2.1996 against collateral security of immovable property valued at Rs.77.12 lakhs belonging to her father-in-law. During internal investigation, it was revealed that borrower had misutilised the limits released to them by withdrawing Rs.6.60 lakhs in cash and Rs.38.75 lakhs remitted through demand drafts favouring M/s. Concord Leather at Chennai who encashed these drafts through an account opened with Oriental Bank of Commerce and closed the account thereafter. No goods were purchased by the firm against the remittance. The mortgage was also done based on photocopy of title deeds which is disputed by other claimants.

(c), (d) & (e):- The fraud was perpetrated by the firm in connivance of branch officials who allowed misutilisation of limit by permitting cash withdrawals and mortgage against the photocopy of title deed. Branch also failed to ensure end use of funds. Bank had lodged a complaint with Central Bureau of Investigation (CBI) who after investigation filed chargesheets in Court against both the firms/proprietors and two banks officials involved in the fraud. Bank has also filed a recovery suit in Debt Recovery Tribunal.